

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Forsyth Township	County Marquette
Fiscal Year End March 31, 2005	Opinion Date July 21, 2005	Date Audit Report Submitted to State July 6, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

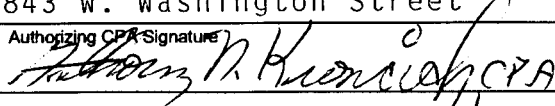
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kroncich & Associates, P.C.		Telephone Number 906-228-7950	
Street Address 843 W. Washington Street		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name Anthony N. Kroncich	License Number 7420	

**FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION**

FORSYTH TOWNSHIP, MARQUETTE COUNTY
Gwinn, Michigan

March 31, 2005

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kroncich & ASSOCIATES P.C.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

INDEPENDENT AUDITORS' REPORT

The Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Forsyth Township, Marquette County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above do not disclose all pension plan information, which is required to be included to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statement referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Forsyth Township, Marquette County, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

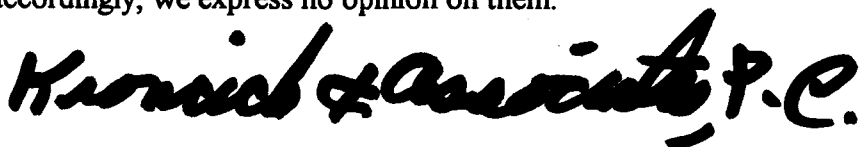
INDEPENDENT AUDITORS' REPORT (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2005 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note O, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages i through iiiii and 40 through 41, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly state in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Certified Public Accountants

Marquette, Michigan
July 21, 2005

**FORSYTH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overview of the Financial Statements

Forsyth Township's March 31, 2005 (2005) annual report follows a different format than in prior years. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information that presents combining statements for non-major governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. 2005 is the first year that industry-wide statements have been included in the annual report of this Township. The statement of net assets includes all of the government's assets and liabilities, except infrastructure assets, such as streets and roads. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The major change was to include general fixed assets, accumulated depreciation, and general long-term debt in the financial statements for the first time. Depreciation (a non-cash item) for the current year is included as an expense in governmental activities.

The two government-wide financial statements of the Township are divided into two categories:

- 1) Governmental Activities - Most of the Township's basic services are included here, such as police, fire, ambulance, public works, recreation, library and general government. Property taxes, state-shared revenue and charges for services provide most of the funding.
- 2) Business-type activities - The Township charges fees to customers/users to help it cover the cost of services it provides. The Township's water and sewer system operations are treated as business-type operations.

FORSYTH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS(continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

1)Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The Clubhouse Association is considered a Major fund under GASB #34 and is required to be reported separately (separate column in the financial statements).

2)Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. The water and sewer systems are the proprietary funds of the Township.

3)Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Townships government-wide financial statements because the Township cannot use these assets to finance operations. Fiduciary funds of the Township include the Cemetery Perpetual Care Fund(Non-expendable trust fund) and Agency funds.

Financial Overview

Forsyth Township has combined net assets of \$4,929,000. Governmental activities comprise \$3,172,000 and business-type activities make up \$1,750,000. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB 34, and therefore, a comparative statement of activities is not part of the management's discussion and analysis.

In condensed format, the table below shows a comparison of the net assets as of the current date to the prior year (in thousands of dollars):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Current assets	1,226	1,499	103	170	1,329	1,669
Noncurrent assets	<u>2,204</u>	<u>2,316</u>	<u>2,208</u>	<u>2,115</u>	<u>4,232</u>	<u>4,431</u>
Total assets	3,430	3,815	2,131	2,285	5,560	6,100
Current liabilities	109	122	139	113	248	235
Long-term liabilities	<u>148</u>	<u>193</u>	<u>235</u>	<u>347</u>	<u>383</u>	<u>540</u>
Total liabilities	<u>258</u>	<u>315</u>	<u>374</u>	<u>460</u>	<u>631</u>	<u>775</u>
Net assets	3,172	3,500	1,757	1,825	4,929	5,325

The following table shows the changes in net assets for 2005 (in thousands of dollars):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue			
Program revenue:			
Charges for services	76	466	542
Operating grants and contributions	22		22
Capital grants and contributions	7		7
General Revenues:			
Property taxes	976		976
State- shared and grants	495		495
Unrestricted investment earnings	19	4	23
Special items and other	<u>249</u>	<u>9</u>	<u>250</u>
Total revenue	1,836	479	2,315
Program expenses			
General government	485		485
Public safety	661		661
Public works	225		225
Recreation and culture	314		314
Health and welfare	108		108
Other functions	188		188
Interest on long-term debt	10		10
Depreciation	178		178
Water and sewer		<u>546</u>	<u>547</u>
Total program expenses	<u>2,169</u>	<u>546</u>	<u>2,716</u>
Change in net assets	(333)	(67)	(400)

FORSYTH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS(continued)

Governmental Activities

Revenues from governmental activities totaled \$1.8 million in 2005. A total of \$863,000 was in the form of ad valorem property taxes, which was an increase over the prior year of \$68,000 or 8.54%. Taxable value of the Township was \$108.1 million compared to \$103.4 last year. A total of 8.0067 mills was levied in the current year. One (1) mill is equal to \$1.00 per each \$1,000 of taxable value of real and personal property.

State-shared revenues continue to be of concern given the State's financial difficulties. State-shared revenues were \$489,000 in 2005 compared to \$509,000 in the prior year. This was about \$800,000 just 4 years ago. The Township performed a mid-decade census to determine the actual population of the Township since the year 2000 census. The result was a population of 5,791 compared to 4,824 residents in 2000. This population increase is expected to generate an additional \$88,000 of state-shared revenues each year until the 2010 census. However, this additional amount must be requested annually from the State of Michigan and their approval/ payment to the Township is uncertain.

Business-type Activities

Forsyth Township has two business-type activities, the Water Supply System and the Sewage Disposal System funds. Revenues from these funds was \$466,000 in 2005. Water is supplied by below-ground wells and is pumped into the system. Sewage is disposed of using a lagoon system. Not all of the residents of the Township have water and/or sewage services provided to them. Replacement of deteriorated portions of these systems and maintenance is a continuing problem.

Current Economic Events

Forsyth Township continues to have population growth as evidenced by the mid-decade census. Most of the population growth has been from residential development at the former K.I. Sawyer AFB. The Township has experience increases in property value from that development. The major industrial facilities at Sawyer do not provide any property tax revenue for the Township as those businesses are in a non-taxable Enterprise Zone. However, the Township does provide services, such as police, fire and ambulance and street lighting to that area. This has been and continues to be a budgetary problem.

There has been economic growth in the community also, particularly in housing, both residential and vacation homes. Our state equalized value (SEV) is \$148.6 million (representing 50% of current value), which is \$40.6 million more than our taxable value (TV). This is significant because taxes are based on taxable value, not SEV.

Again, state revenue sharing is the most significant budgetary concern at this time, along with health insurance and pension costs. Also, energy costs have an effect on our operations. Recognizing that the economy, particularly the auto industry, of Michigan is probably going to be struggling for some time, we do not project any significant improvement in State revenues for some time. We continue to try to hold down expenses and to utilize our resources and personnel as efficiently as possible.

FORSYTH TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS(continued)

The Township did purchase a fire truck for the fire department, which was delivered and recorded in the subsequent year, costing \$300,000. This was financed through a lease/purchase contract over 10 years, with annual payments of \$37,000.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2005 with a fund balance of \$750,000. Actual revenues were approximately the same as budget. Expenditures were more than what was anticipated. Employee compensation increased, due to both more hours worked and pay rates. Payroll related liabilities, such as payroll taxes and retirement expenses, went up accordingly. Liability insurance expense increased again as it has been for several years. Capital outlay was higher because of the purchase of a garbage truck. There were no other large capital outlay projects during the year and no additional long-term debt issues.

Contact Us

This report is intended to aid our residents and other interested parties in understanding Forsyth Township's financial condition and result of operations. Should you have further questions, please contact our business office and you will be directed to the appropriate employee or Board Officer.

FORSYTH TOWNSHIP
STATEMENT OF NET ASSETS
March 31, 2005

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents - Note B	\$956,198	\$59,015	\$1,015,213
Receivables (net):			
Property taxes - Note C	128,241		128,241
State shared revenue	70,035		70,035
Other accounts - Note D	39,536	43,292	82,828
Due from other governments	14,872		14,872
Prepaid expenses	14,520	330	14,850
Due from business-type activities & fiduciary funds	2,926		2,926
TOTAL CURRENT ASSETS	1,226,328	102,637	1,328,965
Noncurrent assets:			
Restricted Assets - Note F:			
Cash and cash equivalents - Note B		145,062	145,062
Sewer connection charges receivable - Note D		1,670	1,670
Long-term receivable - special assessment		4,902	4,902
Due from business-type activities	39,715		39,715
Capital Assets - Note H:			
Land and construction in progress	606,068	21,816	627,884
Other capital assets	3,156,866	4,028,918	7,185,784
Accumulated depreciation	(1,598,660)	(2,174,398)	(3,773,058)
Total Capital Assets	2,164,274	1,876,336	4,040,610
TOTAL NONCURRENT ASSETS	2,203,989	2,027,970	4,231,959
TOTAL ASSETS	3,430,317	2,130,607	5,560,924
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	36,574	12,951	49,525
Deferred compensation	8,298	38,703	47,001
Current portion of long-term debt	64,521	85,000	149,521
Due to governmental activities		2,133	2,133
TOTAL CURRENT LIABILITIES	109,393	138,787	248,180
Noncurrent Liabilities:			
Bonds and Notes payable, net of current maturities	93,463	125,000	218,463
Compensated absences	55,195		55,195
Capital lease obligation		70,000	70,000
Due to governmental activities		39,715	39,715
TOTAL NONCURRENT LIABILITIES	148,658	234,715	383,373
TOTAL LIABILITIES	258,051	373,502	631,553
NET ASSETS:			
Invested in capital assets, net of related debt	2,110,813	1,596,336	3,707,149
Restricted for:			
Debt service	70,523	145,062	215,585
Other activities	199,504		199,504
Unrestricted	791,426	15,707	807,133
TOTAL NET ASSETS	\$3,172,266	\$1,757,105	\$4,929,371

See notes to financial statements.

FORSYTH TOWNSHIP
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2005

Program Activities	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business Type Activities	Total
Governmental Activities:						
General government	\$485,632	\$24,502		(\$461,130)		(\$461,130)
Public safety	661,085	51,248		(609,837)		(609,837)
Public works	224,683		7,727	(216,956)		(216,956)
Recreation and culture	313,814	\$21,969		(291,845)		(291,845)
Health and welfare	108,059			(108,059)		(108,059)
Other functions	187,576			(187,576)		(187,576)
Interest on long-term debt	9,894			(9,894)		(9,894)
Depreciation - unallocated	178,244			(178,244)		(178,244)
Total Governmental Activities	2,168,987	75,750	21,969	(2,063,541)	0	(2,063,541)
Business Type Activities:						
Water	293,030	319,768			\$26,738	26,738
Sewer	253,557	146,336			(107,221)	(107,221)
Total Business Type Activities	546,587	466,104	0	0	(80,483)	(80,483)
TOTAL GOVERNMENT	\$2,715,574	\$541,854	\$21,969	(2,063,541)	(80,483)	(2,144,024)
General Revenues:						
Taxes:						
Property taxes				943,166		943,166
Payment in lieu of taxes				33,000		33,000
Unrestricted State sources				494,675		494,675
Licenses and permits				5,399		5,399
Fines and forfeitures				15,735		15,735
Interest earnings				18,521	4,026	22,547
Miscellaneous				220,304	8,863	229,167
TOTAL GENERAL REVENUES AND TRANSFERS				1,730,800	12,889	1,743,689
CHANGE IN NET ASSETS						
				(332,741)	(67,594)	(400,335)
Net assets, beginning of year				3,505,011	1,824,699	5,329,710
NET ASSETS, END OF YEAR				\$3,172,270	\$1,757,105	\$4,929,375

See notes to financial statements.

FORSYTH TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2005

ASSETS	General Fund	Gwinn Clubhouse Association	Total Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents - Note B	\$535,982	\$105,415	\$314,801	\$956,198
Receivables:				
Property taxes - Note C	96,214	32,027		128,241
State shared revenue	70,035			70,035
Other accounts	236,987		4,419	241,406
	<hr/>	<hr/>	<hr/>	<hr/>
Allowance for doubtful accounts	403,236 (201,870)	32,027	4,419	439,682 (201,870)
	<hr/>	<hr/>	<hr/>	<hr/>
	201,366	32,027	4,419	237,812
Due from state			14,872	14,872
Prepaid expenses	14,520			14,520
Due from other funds - Note E	60,218		6,860	67,078
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$812,086 =====	\$137,442 =====	\$340,952 =====	\$1,290,480 =====
 LIABILITIES				
Accounts payable	\$32,255	\$2,555	\$618	\$35,428
Employee compensation and other related liabilities	7,019	1,054	225	8,298
Due to other funds - Note E	6,857	1,011	16,564	24,432
Deferred revenue - Notes C and G	15,088	6,563	2,829	24,480
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	61,219	11,183	20,236	92,638
 FUND EQUITY				
Fund balance:				
Reserved for - Note K:				
Long term receivable	39,715			39,715
Other	5,000		154,789	159,789
Unreserved:				
Undesignated	706,152	126,259	165,927	998,338
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TOTAL FUND EQUITY	750,867	126,259	320,716	1,197,842
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$812,086 =====	\$137,442 =====	\$340,952 =====	\$1,290,480 =====

See notes to financial statements.

FORSYTH TOWNSHIP

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

Total Fund Balances for Governmental Funds	\$1,197,842
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,164,274
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(213,179)
Deferred revenue for property taxes are reported in the funds but accrued as revenue in the government-wide statements and added to net assets.	24,480
Accrued interest expense not reported in the funds but accrued as a liability in the government-wide statements and reduced from net assets.	<u>(1,146)</u>
Net Assets of Governmental Activities	<u><u>\$3,172,271</u></u>

FORSYTH TOWNSHIP**GOVERNMENTAL FUNDS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Year Ended March 31, 2005

	General Fund	Gwinn Clubhouse Association	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes - Note C	\$738,586	\$202,291		\$940,877
Licenses and permits	5,399			5,399
Federal grants			\$10,476	10,476
State grants	494,675		11,493	506,168
Charges for services	71,525			71,525
Fines and forfeitures	2,727		13,008	15,735
Interest	15,764		2,757	18,521
Cemetery perpetual care			4,225	4,225
Other revenue	165,845	9,304	78,155	253,304
TOTAL REVENUES	1,494,521	211,595	120,114	1,826,230
Expenditures:				
Current:				
Legislative	55,151			55,151
General government	452,477			452,477
Public safety	661,085			661,085
Public works	224,683			224,683
Recreation and cultural		244,619	69,195	313,814
Health and welfare	108,059			108,059
Other functions	187,576			187,576
Debt service	48,655			48,655
Capital outlay	62,487	23,696	7,289	93,472
TOTAL EXPENDITURES	1,800,173	268,315	76,484	2,144,972
EXCESS OF REVENUES (EXPENDITURES)	(305,652)	(56,720)	43,630	(318,742)
Other financing sources (uses):				
Operating transfers in - Note E	79,958		53,892	133,850
Operating transfers out - Note E	(53,892)		(79,958)	(133,850)
Loan proceeds				0
TOTAL OTHER FINANCING SOURCES (USES)	26,066	0	(26,066)	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(279,586)	(56,720)	17,564	(318,742)
Fund balance at beginning of year	1,030,441	182,979	303,150	1,516,570
FUND BALANCE AT END OF YEAR	\$750,855	\$126,259	\$320,714	\$1,197,828

See notes to financial statements.

FORSYTH TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds	(\$318,742)
---	--------------------

Amounts reported for governmental activities in the statement of
net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	(84,772)
--	----------

Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reduction in long-term debt in the government-wide financial statements.	38,230
---	--------

Changes in accumulated employee sick and vacation pay are recorded when earned in the Statement of Activities	21,996
---	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	10,016
--	--------

Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and therefore not reported as an expenditure in the governmental funds.	<u>531</u>
--	------------

Change in Net Assets of Governmental Activities	<u>(\$332,741)</u>
--	---------------------------

FORSYTH TOWNSHIP**BALANCE SHEET****PROPRIETARY FUNDS**

March 31, 2005

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$23,650	\$35,365	\$59,015
Accounts receivable	18,923	22,733	41,656
Accrued interest receivable	146	39	185
Prepaid expenses		330	330
Due from other funds			0
Current portion of sewage connection charges receivable	1,451		1,451
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	44,170	58,467	102,637
RESTRICTED ASSETS			
Cash and cash equivalents	136,598	8,464	145,062
Sewage connection charges receivable, less allowance of \$2,000	1,670		1,670
	<hr/>	<hr/>	<hr/>
TOTAL RESTRICTED ASSETS	138,268	8,464	146,732
OTHER ASSETS			
Special assessments receivable - long-term		4,902	4,902
UTILITY PLANT IN SERVICE			
Land and easements	9,761	4,399	14,160
Structures and improvements	1,664	435,458	437,122
Sewage treatment plant	591,135		591,135
Collection and distribution system	1,243,611	920,233	2,163,844
Equipment	90,915	57,089	148,004
Capital lease assets		688,813	688,813
Construction in progress	7,656		7,656
	<hr/>	<hr/>	<hr/>
	1,944,742	2,105,992	4,050,734
Less allowances for depreciation (deduction)	(1,126,065)	(1,048,333)	(2,174,398)
	<hr/>	<hr/>	<hr/>
	818,677	1,057,659	1,876,336
	<hr/>	<hr/>	<hr/>
	\$1,001,115	\$1,129,492	\$2,130,607
	=====	=====	=====

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total</u>
LIABILITIES			
CURRENT LIABILITIES			
(payable from current assets)			
Accounts payable	\$1,429	\$8,453	\$9,882
Accrued employee compensation	9,813	28,890	38,703
Accrued interest	2,188	881	3,069
Due to other funds	1,054	1,079	2,133
Current maturities on long-term debt		60,000	60,000
TOTAL CURRENT LIABILITIES (payable from current assets)	<u>14,484</u>	<u>99,303</u>	<u>113,787</u>
CURRENT LIABILITIES			
(payable from restricted assets)			
Current maturities on bonds payable	25,000		25,000
LONG-TERM LIABILITIES			
(less current maturities)			
5% General Obligation Bonds	30,000		30,000
5% Revenue Bonds	95,000		95,000
Capital lease obligations		70,000	70,000
Due to other funds		39,715	39,715
TOTAL LIABILITIES	<u>164,484</u>	<u>209,018</u>	<u>373,502</u>
NET ASSETS			
Invest in capital assets, net of related debt	668,677	927,659	1,596,336
Restricted for debt service	136,598	8,464	145,062
Unrestricted	31,356	(15,649)	15,707
TOTAL NET ASSETS	<u>836,631</u>	<u>920,474</u>	<u>1,757,105</u>
	<u>\$1,001,115</u> =====	<u>\$1,129,492</u> =====	<u>\$2,130,607</u> =====

FORSYTH TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

Year ended March 31, 2005

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total</u>
OPERATING REVENUES			
Flat rate sales:			
General Customers	\$133,694	\$281,920	\$415,614
Governmental units	12,642	27,111	39,753
Hydrant rental		10,737	10,737
Other	4,006	4,857	8,863
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	150,342	324,625	474,967
OPERATING EXPENSES			
Administrative and accounting:			
Salaries and wages	34,864	39,503	74,367
Employee benefits	18,502	18,512	37,013
Office supplies and other	24,989	9,903	34,892
Professional fees	28,790	5,094	33,884
	<hr/>	<hr/>	<hr/>
	107,145	73,012	180,156
Maintenance:			
Salaries and wages	39,571	50,686	90,257
Employee benefits	20,863	23,560	44,424
Operating supplies	175	2,389	2,564
Repairs and maintenance	5,226	9,748	14,974
Truck and equipment expense	16,695	13,506	30,201
Liability and fire insurance	7,425	10,104	17,529
	<hr/>	<hr/>	<hr/>
	89,955	109,993	199,949
Power and pumping - Utilities	9,805	51,473	61,278
Distribution - Provision for depreciation	37,902	44,346	82,248
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	244,807	278,824	523,631
	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(94,465)	45,801	(48,664)
OTHER REVENUE - Interest income	2,702	1,324	4,026
OTHER EXPENSES - Interest on bonds	(8,750)	(14,206)	(22,956)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(100,513)	32,919	(67,594)
Net Assets - Beginning of year	937,144	887,555	1,824,699
	<hr/>	<hr/>	<hr/>
NET ASSETS - END OF YEAR	\$836,631	\$920,474	\$1,757,105
	<hr/>	<hr/>	<hr/>

FORSYTH TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended March 31, 2005

	Sewage Disposal System	Water Supply System	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	(\$94,465)	\$45,801	(\$48,664)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation & Amortization	37,902	44,346	82,248
Changes in assets and liabilities:			
(Increase) decrease in receivables	(1,289)	14,804	13,515
Increase (decrease) in accounts payable and accrued expenses	8,845	11,441	20,286
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(49,007)	116,392	67,385
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments on long term advance		(27,202)	(27,202)
Principal paid on bonds and capital lease obligations	(25,000)	(55,000)	(80,000)
Interest paid on bonds and capital lease obligations	(8,750)	(14,206)	(22,956)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(33,750)	(96,408)	(130,158)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	3,472	1,417	4,889
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,472	1,417	4,889
NET INCREASE (DECREASE) IN CASH	(79,285)	21,401	(57,884)
Cash and equivalents at beginning of year	239,533	22,428	261,961
CASH AND EQUIVALENTS AT END OF YEAR	\$160,248	\$43,829	\$204,077
	=====	=====	=====

FORSYTH TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

March 31, 2005

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$32,567
Investments	67,665
	<hr/>
TOTAL ASSETS	100,232
	<hr/>
LIABILITIES	
Deferred compensation	67,665
Due to other taxing units	30,022
Due to other funds	2,545
	<hr/>
TOTAL LIABILITIES	100,232
	<hr/> <hr/>

FORSYTH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Forsyth Township (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Forsyth Township.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity, these financial statements present Forsyth Township, Marquette County, Michigan. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether financial statements would be misleading if component unit data were not included.

Government-wide and Fund Financial Statements

The government-wide financial statements, as mandated by GASB #34, (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 2005 is the first year that these statements are presented. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Description of Township Operations

The Township operates under an elected Board of Trustees (5 members) and provides services to its 5,791 residents (Mid-Decade Census), including public safety, recreational, sanitation and public water and sewer. The Township is a participant in the Marquette County Solid Waste Management Authority. The financial statements of the Authority are not included in the financial statements of the Township.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types, three broad fund categories and one account group as follows:

Governmental Funds

General Fund - General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds include the Gwinn Clubhouse Association, Library, and Senior Citizens Grant Funds, and the Township Improvement Revolving Fund.

The Gwinn Clubhouse Association Fund is used to account for revenue derived from a specific property tax levy and user charges for the operation and maintenance of recreational programs. The Library Fund is used to account for revenues derived from and transferred from the general fund based on the allocation of property tax of 0.5000 mills and penal fines. These revenue sources are used for operation and maintenance of the Forsyth Township Library.

The Senior Citizens Grant Fund is used to account for grants, entitlements and other revenues restricted by the grantor for the operation of senior citizen related activities.

The Township Improvement Revolving Fund is used to account for funds set aside by the township for public improvement.

Capital Projects Funds - These funds are used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations. The Township's Capital Projects Fund is the Sidewalk Special Assessment District and the Horseshoe Lake Assessors Plat. The Assessors Plat of Little Shag Lake is a project in-process with no billings to-date. Expenditures incurred of \$14,520 are included in prepaid expenses in the General Fund.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Funds of the Township are the Water Supply System Fund and the Sewage Disposal System Fund.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Funds

Non-expendable Trust Funds - Non-expendable Trust Funds are those whose principal must be preserved intact. The Non-expendable Trust Fund of the Township is the Cemetery Perpetual Care Fund.

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds which includes the Tax Collection Fund.

Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis; revenues are recognized when they become susceptible to accrual (i.e., when they become both measurable and available to finance expenditures of the current period). Expenditures are generally recognized when the related fund liability is incurred with exceptions, such as interest and principal on long-term debt and accumulated unpaid vacation and sick pay.

All Proprietary Funds and Non-expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The Township does not use the encumbrance method of accounting.

Budgets and Budgetary Accounting

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgeted revenues and expenditures of the budgetary funds have been approved and presented on a functional basis. Unexpended appropriations lapse at year end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash consists of bank demand and time deposits and mutual fund investments with a maturity of three months or less.

For the purpose of the statement of cash flows, the Proprietary and Similar Trust Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition as cash in the accompanying financial statements.

Investments

The Township has a Deferred Compensation Plan for its employees. Funds contributed are invested by an insurance company and classified as investments on the balance sheet.

Receivables

Property taxes, trade accounts, and accrued interest receivable represent Township revenues earned through March 31, but that were not received until after March 31. Management has recorded allowances for uncollectible receivables for portions of receivables not collected within a reasonable time after year end.

Prepaid Expenses

Insurance premiums paid in advance, unamortized maintenance contracts and expenses for special assessment projects in progress are included in prepaid expenses.

Interfund Receivables/Payables

During the course of its operations the various funds of the Township have numerous transactions between them. These interfund transactions are for such things as financing operations, advances, remittance of taxes collected, and working capital needs. To the extent that certain transactions between funds have not been paid as of March 31, 2005, balances of interfund amounts receivable or payable have been recorded.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All fixed assets of the Enterprise Fund are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Interest incurred during construction of fixed assets is capitalized. Such assets do not include infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems.

The cost of fixed assets of all other funds are included in expenditures when incurred and are classified as capital outlay expenditures in the fund statements. The fixed assets of these funds are capitalized in the Township's statement of Net Assets, and are depreciated over their estimated useful lives using the straight-line method.

Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental Funds. This Account Group is not considered a "fund". It is concerned only with the measurement of financial position and is not involved with the results of operations.

Because of their spending measurement focus, expenditures recognition for Governmental Fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund types expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All Proprietary Funds and Non-expendable Trust Funds are accounted for on a cost of services or "Capital Maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets and Long-Term Liabilities (continued)

A provision for depreciable fixed assets, including amortization of capital lease assets, used by the governmental and business- type activities is charged as depreciation expense against operations. Accumulated depreciation is reported on the Statement of Net Assets and Enterprise Funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Governmental Funds	Sewage Fund	Water Fund
Equipment	5 - 20 years	5 - 20 years	3 - 20 years
Buildings	40 years		
Structures and improvements		20 years	10 - 35 years
Sewage treatment plant		50 years	
Collection and distribution system		50 years	50 years

Amortization of Capital Grants

The Enterprise Fund has adopted the reporting recommendation of the National Council on Governmental Accounting Statement 2 on "Grant Entitlements and Shared Revenue Accounting and Reporting by State and Local Governments". The statement requires that the amortization of fixed assets purchased with government grant funds be shown as a reduction of the related grant equity.

Accounts Payable and Accrued Expenses

Amounts due for expenses incurred but not paid are recorded as accounts payable on the balance sheet.

Deferred Revenue

The Township reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vested unpaid vacation and sick pay amounts are accrued when incurred in Proprietary Funds (using the accrual basis of accounting). Noncurrent (over one year) amounts are not accrued in governmental funds (using the modified accrual basis of accounting), but are included in the general long-term debt group of accounts. The vested unpaid noncurrent balance applicable to the General and Special Revenue Funds included in the general long-term debt group of accounts at March 31, 2005 was \$89,195. The current portion is determined by the budgeted amount approach, which includes only those employees terminated by year-end and paid after year-end.

NOTE B - CASH & INVESTMENTS

Deposits are carried at cost. Deposits of the Township are at two banks and one credit union in the name of the Township Treasurer. Act 217, PA 1982, (MCL 129.91) authorizes the Township to deposit and invest in the account of the Federally insured bank, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond or other forms for the deposit of public monies. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Townships cash deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement Number 3 risk disclosure for the Township's cash deposits are as follows:

	<u>Carrying Amount</u>
Insured (FDIC and NCUA)	\$ 222,831
Uninsured and uncollateralized	<u>1,025,886</u>
Total deposits per bank	1,248,717
Less net reconciling items	(56,340)
Plus cash on hand	<u>465</u>
Total carrying amount	<u><u>\$1,192,082</u></u>
Cash per combined balance sheet:	
Unrestricted cash	\$1,047,780
Restricted cash	<u>145,062</u>
Total cash per combined balance sheet	<u><u>\$1,192,842</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE B - CASH & INVESTMENTS (continued)

Investments with Fiscal Agents: The Township has investments purchased through an insurance company for the Township's Deferred Compensation Plan. The Township's deferred compensation investments are in accordance with statutory authority, which is Michigan Compiled Law, Section 129.94.

The Deferred Compensation Plan monies are invested in mutual funds that cannot, by definition, be categorized by risk. A summary of the investments at March 31, 2005, which are recorded at market value, are presented as follows:

<u>Investment Series</u>	<u>Investment Value</u>
Aetna Intermediate Bond Fund	\$ 2,991
Aetna Balance Fund	16,726
Aetna Fixed Fund	5,256
Janus Aspen Worldwide	36,209
Janus Aspen Balanced	<u>6,482</u>
Total	<u>\$67,664</u>

NOTE C - PROPERTY TAXES

Property taxes for the Township are levied on July 1 and September 15 and are payable without penalty by March 1. In addition to Township taxes, the Township levies for the County of Marquette, Gwinn Area Community School District, the Marquette Alger Educational Regional Services Agency, and State Education Tax. County and school tax collections and remittances are accounted for in the Agency Funds. Township property taxes are recognized when levied as revenue to the extent that they result in current receivables (generally collected within 60 days). Delinquent property taxes receivable not collected within 60 days are carried as deferred revenue.

A statewide referendum, commonly known as Proposal A, took effect in 1994. Under this law, a new term, "Taxable Value", has been created. Proposal A limits annual increases in taxable value of property to the lesser of 5% or the rate of inflation. Initial taxable values, for 1994, were equal to state equalized values in that year. The maximum allowable increase in taxable value for 2004 was 2.3%.

An exception to the maximum increase is new construction, which is taxed at its assessed value for the year of construction, and is then subject to the limitations in subsequent years. A property's taxable value will be adjusted for properties sold during the year.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE C - PROPERTY TAXES (continued)

Revenues include delinquent real property taxes remitted by the County of Marquette from proceeds of notes payable issued by the County. If delinquent taxes are not collected by the County within three years, the Township may be required to refund the taxes plus interest.

The assessed value of real and personal property located in the Township at December 1, 2004, totaled \$148,642,610 representing 50% of estimated current value. Taxable value at December 1, 2004 is \$108,065,635.

The tax levy for that year was based on the following millage rates (one mill is equal to \$1.00 per \$1,000 of taxable value):

		<u>Year expiring</u>
General Fund:		
Allocated	1.2378 mills	N/A
Voted - Operating	<u>4.8923</u> mills	2009
Total General Fund	6.1301 mills	
Clubhouse Fund/Recreation	<u>1.8766</u> mills	2014
TOTAL	<u>8.0067</u> mills	

The Township designates 0.5000 mills for Library operations.

NOTE D - SEWER CONNECTION CHARGES RECEIVABLE

Other accounts include sewer connection charges receivable of \$3,121, which represent amounts due from customers for connections related to the 1980 sewage system expansion. Connection charges of \$700 per customer are payable over 30 years plus interest at 6%. The amount to be collected in the subsequent year of \$1,451 is carried as a current receivable. The amount to be collected after one year of \$1,670 is carried as a long-term receivable.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Amounts due from (receivable) and to (payable) the individual funds, by fund, as of March 31, 2005, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
		Water (A)	\$39,715
		Water	1,079
		Sewer	1,054
		Clubhouse	1,011
		Trust and Agency	2,545
		Senior Citizen	14,107
		Cemetery	2,457
		Capital Projects - Sidewalk	<u>112</u>
General	\$62,080		\$62,080
Library	<u>6,857</u>	General	<u>6,857</u>
Total	<u>\$68,937</u>	Total	<u>\$68,937</u>

(A) - Due to General Fund of \$39,715 is interest bearing.

Interfund transfers are included under "Other Financing Sources (Uses)" or "Operating Transfers Out" in the accompanying financial statements as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
		Cemetery Perpetual Care	\$ 2,457
		Senior Citizen	<u>77,502</u>
General	\$79,959		\$79,959
Library	<u>53,892</u>	General	<u>53,892</u>
Total	<u>\$133,851</u>	Total	<u>\$133,851</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - RESTRICTED ASSETS AND RESERVES

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>
Restricted Assets:		
Sewage connection charges receivable, less allowance of \$2,000	\$ 1,670	
Bond and Interest Redemption Fund cash and savings deposit	17,625	
General Purpose Account cash	56,974	
Junior Lien Redemption Fund cash	21,999	
Junior Lien Bond Reserve Account cash	40,000	
Replacement Fund Savings deposits		<u>\$8,464</u>
	<u>\$138,268</u>	<u>\$8,464</u>
Reserves:		
Bond and interest redemption	\$ 17,625	
Junior Lien Redemption Fund	21,999	
General contingency	56,974	
Junior lien bond reserve	40,000	
Replacement		<u>\$8,464</u>
	<u>\$136,598</u>	<u>\$8,464</u>

The Ordinance authorizing the construction of the Sewage Disposal System was adopted on September 30, 1970, and allowed for the issuance of General Obligation Bonds. A subsequent Ordinance was adopted on May 9, 1979, for the purpose of constructing additions and improvements to the System and authorized the issuance of Sewage Disposal System Revenue bonds. This Ordinance creates a statutory lien on the revenues of the System junior to the lien previously created for the General Obligation Bonds issued.

The Ordinances authorizing issuance of the Bonds require that operating revenues be used generally in the following order:

1. Sewage grant funds can be used for expansion of the System and payment of noncurrent obligations of the System.
2. Bond proceeds must be deposited in the **Construction Account** and used for the purpose of paying costs of construction of the System and interest during the estimated period of construction, which interest is capitalized as a cost of construction. Any unexpended balance of the proceeds of the sale of the bonds remaining after completion of the project shall be paid immediately into the **Junior Lien Redemption Fund** to be used for bond redemption.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - RESTRICTED ASSETS AND RESERVES (continued)

3. Monthly transfers must be made from the **Receiving Fund**, which is used for initial deposit of all operating receipts, to the **Operation and Maintenance Account** in amounts necessary to pay the current expenses of administration, operation and maintenance of the System for the ensuing month, pursuant to the budget. Such amounts are included in cash under the current asset classification.

4. Monthly transfers must be made to the **Bond and Interest Redemption Fund** necessary for the payment of bond and interest maturities until the accumulated balance totals bond and interest maturities for the next eighteen months of \$17,625.

5. Any balance remaining after the requirements of preceding 3 and 4 have been met, will be transferred to the **General Purpose Account** at the rate of \$100 per month until such account accumulates to \$12,000. If the amount requirement is not met by January 1, 1981, \$2,000 is to be transferred to the account in 1981 and \$5,000 in 1982 until the balance in the general purpose account reaches \$12,000. As of March 31, 2005 the balance was \$56,974.

Whenever disbursements are made for repairs and replacements resulting from damage caused by an unforeseen catastrophe, making extensions or improvements and transfers to the **Bond and Interest Redemption Fund**, then monthly payments shall resume until the maximum balance is accumulated.

6. Monthly transfers must be made to the **Junior Lien Redemption Fund** for payment of current bond and interest maturities, a sum equal to at least 1/6th of the interest due on the next ensuing interest due date and not less than 1/12th of the principal maturing on the next ensuing principal payment date. The account also includes unexpended bond proceeds which can only be used for redemption or purchase of revenue bonds.

7. Transfers of \$5,000 each fiscal year commencing in 1983 must be made to the **Junior Lien Bond Reserve Account** until such account shall total \$40,000, which is to be used solely for the payment of principal and interest on bonds otherwise in default.

8. Balances of revenues remaining after the above requirements are met shall, at the option of the Township Board, be transferred to the **Bond and Interest Redemption Fund** for the purpose of calling bonds, or to the **General Purpose Account**. However, in the event there is a deficit in any of the funds mentioned above, on account of defaults in setting aside monies as required, then transfers of remaining revenues shall be made to these funds in the priority and order as herein enumerated.

The restricted assets of the Water System are the result of bond ordinance requirements related to the 1959 Revenue Bond Issue. As of February 28, 1988 there are no bonds outstanding. Accordingly, there are no further funding requirements for bond and interest redemption. The funding requirements of the Replacement Fund are still applicable.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - RESTRICTED ASSETS AND RESERVES (continued)

The Ordinance authorizing the construction of additions, extensions and improvements to the Water Supply System, adopted April 28, 1959, and amendments thereto, required that the Replacement Fund be funded as follows:

Transfers of \$700 each fiscal year must be made to the **Replacement Fund** until such fund shall total \$6,250. Whenever monies shall be used from such fund to make replacements of the system, they will be restored from the net revenues of the system.

NOTE G - DEFERRED REVENUE

Deferred revenue is comprised of the following items:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>
Property taxes	\$7,361	\$6,563	
Restricted State Shared Revenue	7,727		
Special assessments receivable	—	—	<u>\$2,829</u>
	<u>\$15,088</u>	<u>\$6,563</u>	<u>\$2,829</u>

NOTE H - CAPITAL ASSETS

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2004	Additions	Balance March 31, 2005
Governmental Activities			
Land	\$606,068		\$606,068
Buildings	1,214,586		1,214,586
Equipment	<u>1,723,664</u>	<u>93,472</u>	<u>1,817,136</u>
	3,544,318	93,472	3,637,790
Accumulated depreciation	<u>(1,388,744)</u>	<u>(178,244)</u>	<u>(1,566,988)</u>
Net book value	<u>\$2,155,574</u>	<u>\$(84,772)</u>	<u>\$2,070,802</u>

NOTES TO FINANCIAL STATEMENTS (continued)**NOTE H - CAPITAL ASSETS (continued)**

Business-type Activities	Balance April 1, 2004	Additions	Balance March 31, 2005
Land and easements	\$ 14,160		\$ 14,160
Structures and improvements	437,122		437,122
Sewage treatment plant	591,135		591,135
Collection and distribution system	2,163,844		2,163,844
Equipment	148,004		148,004
Capital lease assets	688,813		688,813
Construction in progress	<u>7,656</u>	<u> </u>	<u>7,656</u>
	4,050,734		4,050,734
Accumulated depreciation	<u>(2,092,150)</u>	<u>(82,248)</u>	<u>(2,174,398)</u>
Net book value	<u>\$1,958,584</u>	<u>\$(82,248)</u>	<u>\$1,876,336</u>

Amortization expense of the capital lease assets of \$13,776 is included in depreciation expense.

NOTE I - CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year, excluding Enterprise Funds which are disclosed in the Statement of Cash Flows:

	<u>General Fund</u>	
	Notes Payable	Vacation and Sick Pay
Balance at April 1, 2004	\$162,214	\$111,191
Increase during year		33,656
Principal payments	<u>(38,230)</u>	<u>(55,652)</u>
Balance at March 31, 2005	<u>\$123,984</u>	<u>\$85,195</u>
Interest expense for the year	<u>\$ 10,425</u>	

General Fund capital lease/purchase payables of \$53,461 are secured by equipment costing \$185,986. General Fund notes payable of \$70,523 are secured by the full faith and credit of the Township.

NOTES TO FINANCIAL STATEMENTS (continued)**NOTE J - SUMMARY OF LONG-TERM DEBT**

On July 28, 1998, the Township's water system refinanced the capital lease with the County of Marquette. The County issued \$470,000 Marquette County Refunding Bonds Limited Tax Series 1998B underlying debt to achieve a savings of approximately \$23,000 over the remaining life of the debt. The maturity date did not change.

The following is a summary of the debt outstanding (including current portions) of the Township as of March 31, 2005:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General long-term debt:				
General Fund notes payable	1	0 - 8.25%	2010	\$70,523
General Fund Capital				
Lease/purchase	2	5% - 6.15%	2007	53,461
Unpaid vacation and sick pay	N/A	N/A	N/A	<u>89,195</u>
TOTAL GENERAL LONG-TERM DEBT				213,179
Enterprise Fund:				
Sewage Disposal System:				
General Obligation Bonds	1	5%	2008	40,000
Revenue Bonds	1	5%	2013	110,000
Water Supply System:				
Capitalized Lease	1	3.80%-4.50%	2007	<u>130,000</u>
TOTAL ENTERPRISE FUND LONG-TERM DEBT				<u>280,000</u>
TOTAL LONG-TERM DEBT				<u><u>\$493,179</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE J - SUMMARY OF LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding (excluding unpaid vacation and sick pay) as of March 31, 2005, including interest payments, are as follows:

	2006	2007	2008	2009	2010	2011- 2013	Total
General Fund:							
Notes Payable	\$ 2,580	\$ 19,932	\$ 19,821	\$20,025	\$ 20,544		\$ 82,902
Capital lease/purchase	33,608	18,608					52,216
Sewage Disposal System Bonds:							
General Obligation	17,000	16,250	10,500				43,750
Revenue	15,500	15,000	19,500	18,750	18,000	49,500	136,250
Water Supply System:							
Capital lease	<u>66,015</u>	<u>73,225</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>139,240</u>
	<u>\$134,703</u>	<u>\$143,015</u>	<u>\$49,821</u>	<u>\$38,775</u>	<u>\$38,544</u>	<u>\$49,500</u>	<u>\$454,358</u>

General Fund notes payable consist of the following:

	<u>Balance April 1, 2004</u>	<u>Proceeds</u>	<u>Principal Payments</u>	<u>Balance at March 31, 2005</u>
Marquette County Solid Waste Management Authority	\$84,628		\$14,105	\$70,523
Installment lease/ purchase contracts:				
Fire truck	49,600		15,557	34,043
Office Building	<u>27,986</u>	<u> </u>	<u>8,568</u>	<u>19,418</u>
TOTAL GENERAL FUND NOTES PAYABLE	<u>\$162,214</u>	<u> </u>	<u>\$38,230</u>	<u>\$123,984</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE J - SUMMARY OF LONG-TERM DEBT (continued)

The Water System has entered into a capital lease with the County of Marquette to obtain financing for a Water System Improvement Project. On July 28, 1998 the County of Marquette issued Marquette County Refunding Bonds - Limited Tax, Series 1998B, in the amount of \$470,000. Interest rates range from 3.80% to 4.50% over the remaining term of the lease.

The Water System is liable for the following minimum lease payments.

<u>Fiscal Years</u> <u>Ending</u>	<u>Capital</u> <u>Lease</u>
2006	66,015
2007	<u>73,255</u>
	139,270
Present value of net minimum lease payments	<u>130,000</u>
Interest portion	<u>\$ 9,270</u>

NOTE K - RESERVED FUND BALANCE

The Township reserves fund balance for the following:

Cemetery Care - All of the principal of the Cemetery Perpetual Care Fund (a non-expendable trust fund) were accumulated from receipts for perpetual care of cemetery plots of which the principal cannot be expended. Investment income is transferred to the general operating fund annually for cemetery care.

Long Term Receivable - Fund balance in the General Fund is reserved for an amount equal to a long term advance to the Water Fund, as this does not constitute "available spendable resources".

Other - Amount withheld from former employee for recovery of loss

NOTE L - PURCHASE COMMITMENTS

The Township purchased a fire truck, which was delivered in the subsequent fiscal year, costing \$300,000. A lease/purchase contract was used to finance the obligation, with a term of 10 years and annual payments of \$37,000.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE M - JOINT VENTURES

Marquette County Solid Waste Management Authority

During 1988, Forsyth Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority shall be governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's pro-rate share (based on population) of assets, liabilities, and fund equity is 7.46 percent. Summary financial information as of and for the fiscal year ended June 30, 2004, is as follows:

Total Assets	\$13,084,748
Total Liabilities	2,136,948
Total Equity	10,947,800
Total Operating Revenues	3,157,413
Total Operating Expenses	2,065,094
Other Income (Expenses)	(101,265)
Net Income	1,033,247
Total Joint Venture's	
Outstanding Long-Term Debt	1,826,494

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

The Township is a guarantor by pledging the full faith and credit of the Township for their allocated portion of bonds issued by the Authority in the amount of \$64,571 outstanding at March 31, 2005 at a variable interest rate for 20 years. This amount is not included as a liability in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE M - JOINT VENTURES (continued)

Marquette County Solid Waste Management Authority (continued)

The Authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirements of the Authority's bonds, that are guaranteed by the Township. The annual amount including interest ranges from \$14,511 to \$15,668 per year and is included as sanitation department expenses in the accompanying financial statements.

In addition, bonds were issued to finance the Township's portion of the initial construction costs and site search. These bonds are recorded as a liability in the General Long-Term Debt Account Group and have a balance outstanding of \$70,523 at March 31, 2005.

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, MI 49855.

Sawyer Operations Authority

An Inter-Local Agreement was entered into by Forsyth Township and West Branch Township on May 1, 2003 under Act 7, the Urban Cooperation Act of 1967 MCL124.501 et seq, a separate legal entity, a corporate body public.

The purpose of the Sawyer Operations Authority (SOA) is to provide management, development, and promotion for the community surrounding Sawyer International Airport (part of the former K.I. Sawyer Air Force Base).

West Branch Township is the fiscal agent for the SOA. Only Forsyth Township's share of SOA operations are included in these financial statements under General Fund expenditures of \$37,735.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE N - PENSION PLAN

The Township sponsors two pension plans, one a defined contribution plan, the other a defined benefit plan. The Township does not include here all of the disclosures required by generally accepted accounting principles relating to these plans. Readers are referred to annual reports of the plans for further information.

The first plan, a defined contribution plan, covered substantially all full time employees and Board members who chose to belong. Since the inception of the defined benefit plan, only the Board members are active participants in the defined contribution plan.

The Township also participates in an agent multi-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. Substantially all full time employees are covered by this plan.

The Township's total gross payroll for the year ended March 31, 2005 was \$1,108,496, of which approximately \$802,462 was covered by a pension plan. Pension contributions by the Township totaled \$150,759, which is approximately 18.79% of covered payroll (weighted average). The contribution rates ranged from 13.37% to 21.19% from the various groups.

NOTE O - FUND BALANCE

Fund balance of the governmental-type activities (primarily the general fund) increase by \$1,974,429 as of March 31, 2005 as a result of converting to government-wide financial statements required by GASB #34. The change was actually recorded retroactively at April 1, 2004.

The most significant increase was to include general capital assets (land, building, and equipment), net of depreciation and related long-term debt of about \$1,950,000 in governmental activities net assets. Such assets are not available as an expendable resource of the township because they are non-cash items.

As to the statement of activities, the most material effect was to include depreciation expense of \$178,000, and to exclude current year capital additions from expenses of \$93,000.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE P - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two enterprise funds, the Sewage Disposal System and the Water Supply System. For purposes of the combined financial statements, segment information is as follows:

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total</u>
Operating revenues	\$150,342	\$324,625	\$474,967
Operating expenses before depreciation	206,905	234,478	441,383
Depreciation	<u>37,902</u>	<u>44,346</u>	<u>82,248</u>
Operating Income (Loss)	(94,465)	45,801	(48,644)
Other revenues - interest income	2,702	1,324	4,026
Other Expense: Interest on bonds and capital lease obligation	<u>(8,750)</u>	<u>(14,206)</u>	<u>(22,956)</u>
Net Income (Loss)	<u><u>\$(100,513)</u></u>	<u><u>\$32,919</u></u>	<u><u>\$(67,594)</u></u>
Current capital contributions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Property, plant and equipment: Additions (net)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Current assets	\$44,170	\$58,467	\$102,637
Current liabilities	<u>39,484</u>	<u>99,303</u>	<u>138,787</u>
Net working capital	<u>\$4,686</u>	<u>\$(40,836)</u>	<u>\$(36,150)</u>
Bonds and other long-term liabilities payable from operating revenues	<u>\$125,000</u>	<u>\$109,715</u>	<u>\$234,715</u>
Total assets	\$1,001,115	\$1,129,492	\$2,130,607
Total liabilities	<u>164,484</u>	<u>209,018</u>	<u>373,502</u>
Fund equity	<u><u>\$836,631</u></u>	<u><u>\$920,474</u></u>	<u><u>\$1,757,105</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE Q - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Township with other municipalities, participate in the Michigan Municipal Liability and Property Pool. The Township pays an annual premium for its general insurance coverage. The pool may not assess members supplemental assessments nor will members receive any refunds.

The Township continues to carry commercial insurance for other risk of loss, including worker's compensation and employee health insurance.

NOTE R - BUDGET

The Township Board amended the budgets of the various funds during the fiscal year. The financial statements reflected these amended budgets.

Expenditures in the Gwinn Clubhouse Association (a special revenue fund) exceeded the budget by \$27,741 and Senior Citizen Grant Fund by \$24,501.

NOTE S - DEFERRED COMPENSATION PLAN

The Forsyth Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until the employee's termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights (until made available to the employee or other beneficiary are solely the property and rights of the Township (without being restricted to the provisions of benefits under the plan), subject only to the claims of the general creditors of the Township.

Employee's rights created under the plan are equivalent to those of general creditors of the Township and only in an amount equal to the fair market value of the deferred account maintained with respect to each employee.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE T - DEFERRED COMPENSATION PLAN (continued)

In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs. The Township has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. In addition, the Township believes that it is unlikely it will use the assets to satisfy the claims of general creditors in the future.

The plan is administered by the Aetna Life Insurance and Annuity Company. Aetna, as plan administrator, agrees to hold harmless and indemnify the Township, its appointed and elected officers and participating employees from any loss resulting from Aetna or their agent's failure to perform their duties and services pursuant to the program.

NOTE U - CONTINGENCIES

Several public utility companies have pending appeals against the Township with the Michigan Tax Tribunal. They are appealing the multiplier for determining personal property taxes of such utilities. Some of the utilities have paid the lower amount (as claimed in the appeal) to the Township. The other utilities have paid the full amount as billed by the Township. The outcome is not determined, but could result in significant refunds of taxes by the Township and other governmental units to the plaintiffs (tax payers). The Township portion of estimated refunds to taxpayers is as follows, excluding interest:

Tax Years 2000 to 2003	\$39,100
Tax Year 2004	<u>10,100</u>
Total	<u><u>\$49,200</u></u>

The estimated amounts due from taxpayers, should the Township prevail in the appeal, is approximately \$6,900, excluding interest as of the balance sheet date.

Also, Louisiana Pacific Corporation is protesting their prior two years personal property tax assessment totaling approximately \$70,000 (Township portion only) each year. The outcome is uncertain.

No provision for possible losses has been made in the accompanying financial statements for possible future losses for any of the above property tax disputes.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

FORSYTH TOWNSHIP**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN****FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Favorable
				(Unfavorable)
Revenues:				
Property taxes - Note C	\$735,254	\$739,800	\$738,586	(\$1,214)
Licenses and permits	5,050	5,050	5,399	349
Federal grants				
State grants	490,145	490,145	494,676	4,531
Charges for services	77,340	77,340	71,525	(5,815)
Fines and forfeitures			2,727	2,727
Interest	10,000	1,938	15,764	13,826
Other	117,709	77,689	165,845	88,156
TOTAL REVENUES	1,435,498	1,391,962	1,494,522	102,560
Expenditures:				
Legislative	53,618	54,703	55,151	(448)
Elections	15,865	13,865	12,812	1,053
General government	365,846	448,613	439,665	8,948
Law enforcement	499,597	602,597	596,806	5,791
Fire protection	57,673	64,673	64,277	396
Public works	181,144	220,942	224,684	(3,742)
Sanitation	300	300		300
Recreation and cultural				0
Health and welfare	92,774	106,774	108,059	(1,285)
Other functions	156,501	239,855	187,576	52,279
Debt service	47,907	47,907	48,655	(748)
Capital outlay	15,000	64,788	62,487	2,301
TOTAL EXPENDITURES	1,486,225	1,865,017	1,800,172	64,845
EXCESS OF REVENUES				
(EXPENDITURES)	(50,727)	(473,055)	(305,650)	167,405
Other financing sources (uses):				
Operating transfers in	63,350	63,350	79,959	16,609
Operating transfers out	(52,300)	(54,050)	(53,892)	158
Loan proceeds				0
TOTAL OTHER FINANCING				
SOURCES (USES)	11,050	9,300	26,067	16,767
EXCESS OF REVENUES AND OTHER				
FINANCING SOURCES (EXPENDITURES				
AND OTHER FINANCING USES)	(39,677)	(463,755)	(279,583)	184,172
Fund balance at beginning of year	1,030,441	1,030,441	1,030,441	0
FUND BALANCE AT END				
OF YEAR	\$990,764	\$566,686	\$750,858	\$184,172
	=====	=====	=====	=====

See notes to financial statements.

FORSYTH TOWNSHIP
GWINN CLUBHOUSE ASSOCIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Favorable
				(Unfavorable)
Revenues:				
Property taxes	\$185,900	\$181,727	\$202,291	\$20,564
Other	3,448	3,448	9,304	\$5,856
TOTAL REVENUES	\$189,348	\$185,175	211,595	26,420
Expenditures:				
Recreation and cultural	194,515	216,644	244,619	(\$27,975)
Capital outlay	30,000	24,200	23,696	\$504
TOTAL EXPENDITURES	224,515	240,844	268,315	(27,471)
EXCESS OF REVENUES				
(EXPENDITURES)	(35,167)	(55,669)	(56,720)	(1,051)
Fund balance at beginning of year	182,979	182,979	182,979	\$0
FUND BALANCE AT END OF YEAR	\$147,812	\$127,310	\$126,259	(\$1,051)
	=====	=====	=====	=====

**OTHER
SUPPLEMENTAL
INFORMATION**

kroncich & ASSOCIATES P.C.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

INDEPENDENT AUDITORS' REPORT ON OTHER SUPPLEMENTAL INFORMATION

The Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forsyth Township's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kroncich & Associates P.C.

Certified Public Accountants

Marquette, Michigan
July 21, 2005

FORSYTH TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 March 31, 2005

ASSETS

	Special Revenue Funds			Fiduciary Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Library Fund	Senior Citizens Grant Fund	Township Improvement Revolving Fund	Non-expendable Trust	Sidewalk	Horseshoe Lake Assessors Plat		
Cash and cash equivalents	\$67,942	\$1,268	\$77,791	\$157,246	(\$112)	\$10,666		\$314,801
Receivables:								
Property taxes								
Special assessment	765				2,829	1,590		\$4,419
Due from state	6,860	14,107						\$14,872
Due from other funds								\$6,860
TOTAL ASSETS	\$75,567	\$15,375	\$77,791	\$157,246	\$2,717	\$12,256		\$340,952

LIABILITIES AND FUND BALANCE

Accounts payable	\$618							\$618
Wages payable	225							\$225
Deferred revenue					\$2,829			\$2,829
Due to other funds		\$14,107		2,457				\$16,564
TOTAL LIABILITIES	843	14,107	0	2,457	2,829	0		20,236
Fund Balance:								
Reserved				154,789	(112)			\$154,789
Unreserved	74,724	1,268	77,791			12,256		\$165,927
TOTAL FUND BALANCE	74,724	1,268	77,791	154,789	(112)	12,256		320,716
TOTAL LIABILITIES AND FUND BALANCE	\$75,567	\$15,375	\$77,791	\$157,246	\$2,717	\$12,256		\$340,952

FORSYTH TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year ended March 31, 2005

	Special Revenue Funds			Fiduciary Funds		Capital Projects Funds	
	Library Fund	Senior Citizens Grant Fund	Township Improvement Revolving Fund	Non-expendable Trust	Sidewalk	Horseshoe Lake Assessors Plat	
Revenues:							
Federal grants		10,476					
State grants	7,169	4,324					
Fines and forfeitures	13,008						
Interest Income				2,457	138	162	
Cemetery perpetual care			1,140	4,225		11,767	
Other	2,547	62,701					
TOTAL REVENUES	22,724	77,501	1,140	6,682	138	11,929	
Expenditures:							
Recreation and cultural	68,945		250		250		
Capital outlay	7,039						
TOTAL EXPENDITURES	75,984	0	250	0	250	0	
EXCESS OF REVENUES (EXPENDITURES)	(53,260)	77,501	890	6,682	(112)	11,929	
Other financing sources (uses):							
Operating transfer in	53,892	(77,501)		(2,457)			
Operating transfer out							
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	632	0	890	4,225	(112)	11,929	
Fund balance at beginning of year	74,090	1,268	76,901	150,565	0	326	
FUND BALANCE AT END OF YEAR	\$74,722	\$1,268	\$77,791	\$154,790	(\$112)	\$12,255	

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF REVENUES AND OTHER
FINANCING SOURCES - COMPARATIVE

	Year ended March 31,	
	2005	2004
PROPERTY TAXES		
Ad Valorem property taxes	\$661,226	\$609,452
Commercial forest reserve	1,688	1,819
Homestead and Swampland tax	40,004	40,004
Penalties and interest on taxes	894	26
Trailer court fees	229	275
Tax administration fees	34,545	30,187
	<hr/>	<hr/>
TOTAL PROPERTY TAXES	738,586	681,763
LICENSES AND PERMITS		
Liquor licenses	4,970	5,133
Business Permits		5
Dog licenses	429	378
	<hr/>	<hr/>
TOTAL LICENSES AND PERMITS	5,399	5,516
STATE GRANTS		
State shared revenues	488,943	509,350
Other (MDOT - Storm Sewer)	5,732	46,644
	<hr/>	<hr/>
TOTAL STATE GRANTS	494,675	555,994
CHARGES FOR SERVICES		
Cemetery care	9,025	7,739
Ambulance fees	33,595	152,982
Zoning permits	5,732	6,588
Office and secretarial services	5,520	5,520
Fire department charges	17,653	10,316
Trash Collection		2,943
	<hr/>	<hr/>
TOTAL CHARGES FOR SERVICES	71,525	186,088
FINES AND FORFEITURES		
Parking and ordinance fines	2,727	0
INTEREST	\$15,764	\$16,263

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF REVENUES AND OTHER
FINANCING SOURCES - COMPARATIVE (continued)

Year ended March 31,
2005 2004

OTHER

Rental income	\$6,284	\$6,134
Bldgs. insurance & other reimbursements	1,317	117,543
Native American Tribe - in lieu of taxes		10,030
County Economic Development Corporation	33,000	33,000
Franchise Fee	34,076	
State MI - summer tax	10,623	10,075
Donations	25,359	9,585
Miscellaneous	55,186	19,917

TOTAL OTHER	165,845	206,284
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TOTAL REVENUES	1,494,521	1,651,908
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OTHER FINANCING SOURCES:

LOAN PROCEEDS

TRANSFERS FROM OTHER FUNDS

Perpetual Care Fund	2,457	2,895
Senior Citizens Fund	77,502	56,706
Other Funds		62,128

TOTAL TRANSFERS FROM OTHER FUNDS	79,959	121,729
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TOTAL REVENUES AND OTHER FINANCING SOURCES	\$1,574,480	\$1,773,637
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FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE

	Year ended March 31,	
	2005	2004
LEGISLATIVE		
Supervisor	\$13,500	\$13,500
Clerk/Deputy Clerk	11,034	11,500
Treasurer/Deputy Treasurer	9,335	9,500
Trustees	10,000	10,000
Payroll taxes	3,065	3,101
Insurance and retirement	5,771	6,708
Travel	2,446	715
	<hr/>	<hr/>
TOTAL LEGISLATIVE	55,151	55,024
GENERAL GOVERNMENT		
Elections:		
Salaries and wages	8,725	1,107
Payroll taxes	276	40
Supplies and other expenses	3,811	684
	<hr/>	<hr/>
	12,812	1,831
Assessor:		
Salaries and wages	102,913	97,855
Payroll taxes	7,821	7,374
Employee insurance	7,012	5,335
Retirement - Assessor	6,916	6,527
Unemployment insurance	642	505
Assessor expense	11,313	12,925
Tax office expense	15,653	14,021
Board of review	1,450	3,286
Zoning - Board of Appeals	1,705	3,658
Planning commission	4,429	5,850
Ordinance commission	9,418	9,132
	<hr/>	<hr/>
	169,272	166,468
Office:		
Salaries and wages	56,208	35,159
Payroll taxes	4,119	2,587
Employee insurance	4,626	5,405
Retirement - Office	6,787	5,893
Unemployment insurance	345	196
Office supplies and expense	16,510	11,673
	<hr/>	<hr/>
	88,595	60,913

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2005	2004
GENERAL GOVERNMENT (continued)		
Building and grounds:		
Salaries and wages	\$49,840	\$50,126
Payroll taxes	3,661	3,723
Employee Insurance	12,930	11,018
Retirement - Bldgs & Grounds	7,456	6,839
Unemployment insurance	828	649
Fuel	3,870	1,871
Utilities	3,557	2,887
Repairs and maintenance	10,312	44,032
	<hr/>	<hr/>
	92,454	121,145
Cemetery care:		
Salaries and wages	27,118	22,145
Payroll taxes	1,981	1,589
Insurance	575	570
Retirement - Cemetery	4,404	4,484
Unemployment insurance	305	419
Other expense	4,242	3,429
	<hr/>	<hr/>
	38,625	32,636
Unallocated:		
Travel, dues, special functions	6,973	5,257
Professional services	31,869	39,943
Publishing and printing	2,562	3,500
Community promotions	9,315	5,417
Taxes abated and written off		
	<hr/>	<hr/>
	50,719	54,117
	<hr/>	<hr/>
TOTAL GENERAL GOVERNMENT	452,477	437,110
 PUBLIC SAFETY		
Law Enforcement:		
Police:		
Patrolmen salaries and wages	298,141	206,069
Payroll taxes	22,164	15,380
Employee insurance	81,354	67,076
Retirement - Police	38,191	30,476
Unemployment insurance	2,286	1,574
Gas, oil, repairs and supplies	31,663	24,280
Utilities	12,310	10,746
Office supplies	3,551	4,388
Narcotic K-9 Dog	10,431	
Uniforms and equipment	3,975	4,262
Crossing guard	607	2,522
	<hr/>	<hr/>
	\$504,673	\$366,773

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2005	2004
PUBLIC SAFETY (Continued)		
Law Enforcement (Continued)		
Ambulances:		
Salaries and wages	\$46,134	\$42,115
Payroll taxes	3,494	3,199
Unemployment	782	512
Ambulance expense	33,679	32,931
	<hr/>	<hr/>
	84,089	78,757
Dog Pound:		
Wages	5,225	3,486
Payroll taxes	383	261
Expense	2,438	2,488
	<hr/>	<hr/>
	8,046	6,235
	<hr/>	<hr/>
	596,808	451,765
Fire Protection		
Volunteer fire department fees	15,363	17,484
Payroll taxes	1,240	1,338
Hydrant rental	10,737	8,428
Maintenance and supplies	29,718	26,500
Employee insurance	1,724	1,764
Utilities	4,454	4,725
Natural Gas	1,041	1,049
	<hr/>	<hr/>
	64,277	61,288
	<hr/>	<hr/>
TOTAL PUBLIC SAFETY	661,085	513,053
	<hr/>	<hr/>
PUBLIC WORKS		
Maintenance department:		
Salaries and wages	89,538	75,426
Payroll taxes	6,721	5,684
Unemployment insurance	594	441
Employee insurance	12,188	18,868
Retirement - Public Works	22,944	18,116
Gas, oil, repairs and supplies	11,998	14,499
Utilities	5,375	6,501
Natural Gas	2,543	5,774
	<hr/>	<hr/>
	151,901	145,309

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2005	2004
Street lighting	\$72,782	\$48,848
	<hr/>	<hr/>
	72,782	48,848
PUBLIC WORKS (Continued)		
Sanitation:		
Waste disposal fee		288
Sanitary landfill expense		3,745
	<hr/>	<hr/>
	0	4,033
	<hr/>	<hr/>
TOTAL PUBLIC WORKS	224,683	198,190
HEALTH AND WELFARE		
Senior citizens director:		
Senior citizens director's wages	37,671	26,994
Payroll taxes	2,796	1,850
Unemployment insurance	330	272
Employee insurance	4,688	12,585
Retirement - Sr Citizen Director	6,568	5,620
Director expense	45,644	31,818
Other	2,698	2,448
	<hr/>	<hr/>
	100,395	81,587
Clerical and homemaker aides:		
Wages	906	2,364
Payroll taxes	69	217
	<hr/>	<hr/>
	975	2,581
Senior Services Program:		
Office supplies	2,294	2,970
Other	4,395	3,420
	<hr/>	<hr/>
	6,689	6,390
	<hr/>	<hr/>
TOTAL HEALTH AND WELFARE	\$108,059	\$90,558

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2005	2004
OTHER FUNCTIONS		
Insurance and bonds	\$91,690	\$68,544
Retirement	1,396	
Miscellaneous expense:		
Refund of property taxes	3,717	249
Bad debts		64,222
Sawyer Operations Authority	37,735	26,800
2004 Census Fee	30,792	52,607
Trail Maintenance		10,030
Other	22,246	17,501
	<hr/>	<hr/>
TOTAL OTHER FUNCTIONS	187,576	239,953
DEBT SERVICE	48,655	62,927
CAPITAL OUTLAY		
Assessor		1,713
Office		3,687
Building and grounds	54,895	80,445
Law enforcement	1,372	25,282
Ambulance	1,372	
Fire protection	1,772	51,886
Public Works	250	42,280
Other	2,825	16,850
	<hr/>	<hr/>
TOTAL CAPITAL OUTLAY	62,486	222,143
	<hr/>	<hr/>
TOTAL EXPENDITURES	1,800,172	1,818,958
OTHER FINANCING USES		
Transfers to other funds	53,892	78,933
	<hr/>	<hr/>
TOTAL OTHER FINANCING USES	53,892	78,933
	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$1,854,064	\$1,897,891
	=====	=====

FORSYTH TOWNSHIP
GENERAL FUND - BALANCE SHEET - COMPARATIVE

	March 31,	
	2005	2004
ASSETS		
Cash and cash equivalents	\$535,870	\$780,450
Accounts receivable:		
Property taxes	96,214	91,373
State shared revenue	70,035	57,237
Other	236,987	421,975
	<hr/>	<hr/>
	403,236	570,585
Less allowances for doubtful accounts	(201,870)	(393,049)
	<hr/>	<hr/>
	201,366	177,536
Due from other funds	60,330	95,216
Prepaid expense	14,520	14,520
	<hr/>	<hr/>
	\$812,086	\$1,067,722
	=====	=====
LIABILITIES AND FUND BALANCE		
Accounts payable	\$32,255	\$17,533
Employee compensation and other related liabilities	7,019	1,042
Due to other funds	6,857	13,180
Deferred revenue	15,088	5,518
Retention payable	0	0
	<hr/>	<hr/>
	61,219	37,273
Fund balance:		
Reserved for:		
Inventory and prepaid expenses		
Recreation projects		
Long term receivable	39,715	66,917
Other	5,000	5,000
Unreserved:		
Undesignated	706,152	958,532
	<hr/>	<hr/>
	750,867	1,030,449
	<hr/>	<hr/>
	\$812,086	\$1,067,722
	=====	=====

FORSYTH TOWNSHIP
GWINN CLUBHOUSE ASSOCIATION FUND - DETAILS OF REVENUES
AND EXPENDITURES - COMPARATIVE

	Year ended March 31,	
	2005	2004
Revenues:		
Current property taxes	\$202,291	\$186,492
Delinquent property taxes	16	42
Commercial forest reserve	381	249
Penalties and interest on taxes	3	1
Concession sales and rentals	244	178
Other	7,875	5,586
Interest	785	1,653
	<hr/>	<hr/>
TOTAL REVENUES	\$211,595	\$194,201
	=====	=====
Expenditures:		
Recreation:		
Salaries	\$119,061	\$75,314
Insurance, taxes and retirement	40,446	43,066
Fuel	9,866	7,715
Telephone, power and water	21,118	22,742
Repairs and maintenance	27,446	16,410
Fire and liability insurance	6,474	6,312
Office supplies and clerical	3,000	3,000
Professional services	1,835	1,013
Carnival expense	538	1,061
Miscellaneous	14,835	8,890
	<hr/>	<hr/>
	244,619	185,523
	<hr/>	<hr/>
Capital outlay:		
Furniture and recreation equipment	23,696	2,451
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$268,315	\$187,974
	=====	=====

FORSYTH TOWNSHIP
LIBRARY FUND - DETAILS OF REVENUES AND
EXPENDITURES - COMPARATIVE

	Year ended March 31,	
	2005	2004
Revenues:		
Penal fines	\$13,008	\$14,814
Grants	7,169	8,576
Other	2,547	3,321
	<hr/>	<hr/>
TOTAL REVENUES	\$22,724	\$26,711
	=====	=====
Expenditures:		
Cultural:		
Wages	\$45,538	\$47,772
Insurance, taxes and retirement	4,198	4,306
Supplies and other	2,086	5,958
Liability and fire insurance	2,121	1,678
Utilities	4,862	3,185
Professional Fees	325	325
Fuel	1,555	1,389
Clerical services	2,520	2,520
Dues and subscriptions	3,412	2,525
Repairs and maintenance	790	2,317
Miscellaneous - other	1,538	1,362
	<hr/>	<hr/>
	68,945	73,337
	<hr/>	<hr/>
Capital outlay:		
Furnishings, equipment and books	7,039	13,083
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$75,984	\$86,420
	=====	=====
Other financing sources:		
Operating transfers in (allocated property taxes)	\$53,892	\$54,933
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES	\$53,892	\$54,933
	=====	=====

FORSYTH TOWNSHIP
SENIOR CITIZENS GRANT FUND - DETAILS OF REVENUES AND
EXPENDITURES - COMPARATIVE

		Year ended March 31,	
		2005	2004
Revenues:			
Federal:			
Title IIIB - Homemaker		\$9,984	\$7,867
		<hr/>	<hr/>
TOTAL FEDERAL		9,984	7,867
		<hr/>	<hr/>
State:			
Staffing grant		4,324	4,693
		<hr/>	<hr/>
TOTAL STATE		4,324	4,693
		<hr/>	<hr/>
Other Revenues:			
Rural services		26,452	19,167
Allocation services		36,249	18,490
Interest income		0	0
Other		492	1,491
		<hr/>	<hr/>
TOTAL OTHER REVENUES		63,193	39,148
		<hr/>	<hr/>
TOTAL REVENUES		\$77,501	\$51,708
		=====	=====
Transfers to other funds:			
General Fund		\$77,501	\$56,728
		=====	=====

FORSYTH TOWNSHIP
COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS
 March 31, 2005

	<u>Sidewalk</u>	<u>Horseshoe Lake Assessors Plat</u>	<u>Combined Total</u>
ASSETS			
Cash and cash equivalents		\$10,666	\$10,666
Special assessments receivable	2,829	1,590	4,419
Accrued interest receivable			0
	<hr/>	<hr/>	<hr/>
	2,829	12,256	15,085
	=====	=====	=====
LIABILITIES AND FUND BALANCE			
Deferred revenue	2,829		2,829
Due to general fund	112		112
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	2,941	0	2,941
Fund Balance:			
Reserved			
Unreserved	(112)	12,256	12,144
	<hr/>	<hr/>	<hr/>
	(112)	12,256	12,144
	<hr/>	<hr/>	<hr/>
	\$2,829	\$12,256	\$15,085
	=====	=====	=====

FORSYTH TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUNDS
March 31, 2005

	Sidewalk		Horseshoe Lake Assessors Plat		Combined Total	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:						
Special assessments				\$11,767		\$11,767
Interest income		138		162		300
TOTAL REVENUES	250	138	15,297	11,929	15,547	12,067
Expenditures:						
Special assessment expenses		250				250
TOTAL EXPENDITURES	250	250	268	0	518	250
EXCESS OF REVENUES (EXPENDITURES)	0	(112)	15,029	11,929	15,029	11,817
Other financing sources (uses):						
Operating transfer in					0	0
Operating transfer out					0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	0	(112)	15,029	11,929	15,029	11,817
Fund balance at beginning of year	0	0	326	326	326	326
FUND BALANCE AT END OF YEAR	\$0	(\$112)	\$15,355	\$12,255	\$15,355	\$12,143
	=====	=====	=====	=====	=====	=====

FORSYTH TOWNSHIP
COMBINING BALANCE SHEET - ENTERPRISE FUNDS

March 31, 2005

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$23,650	\$35,365	\$59,015
Accounts receivable	18,923	22,733	41,656
Accrued interest receivable	146	39	185
Prepaid expenses		330	330
Due from other funds			0
Current portion of sewage connection charges receivable	1,451		1,451
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	44,170	58,467	102,637
RESTRICTED ASSETS			
Cash and cash equivalents	136,598	8,464	145,062
Sewage connection charges receivable, less allowance of \$2,000	1,670		1,670
	<hr/>	<hr/>	<hr/>
TOTAL RESTRICTED ASSETS	138,268	8,464	146,732
OTHER ASSETS			
Special assessments receivable - long-term		4,902	4,902
UTILITY PLANT IN SERVICE			
Land and easements	9,761	4,399	14,160
Structures and improvements	1,664	435,458	437,122
Sewage treatment plant	591,135		591,135
Collection and distribution system	1,243,611	920,233	2,163,844
Equipment	90,915	57,089	148,004
Capital lease assets		688,813	688,813
Construction in progress	7,656		7,656
	<hr/>	<hr/>	<hr/>
	1,944,742	2,105,992	4,050,734
Less allowances for depreciation (deduction)	(1,126,065)	(1,048,333)	(2,174,398)
	<hr/>	<hr/>	<hr/>
	818,677	1,057,659	1,876,336
	<hr/>	<hr/>	<hr/>
	\$1,001,115	\$1,129,492	\$2,130,607
	=====	=====	=====

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
LIABILITIES, RESERVES, CONTRIBUTIONS AND RETAINED EARNINGS			
CURRENT LIABILITIES			
<p>(payable from current assets)</p>			
Accounts payable	\$1,429	\$8,453	\$9,882
Accrued employee compensation	9,813	28,890	38,703
Accrued interest	2,188	881	3,069
Due to other funds	0	0	0
Current maturities on long-term debt	1,054	1,079 60,000	2,133 60,000
TOTAL CURRENT LIABILITIES <p>(payable from current assets)</p>	<hr/> 14,484	<hr/> 99,303	<hr/> 113,787
CURRENT LIABILITIES <p>(payable from restricted assets)</p>			
Current maturities on bonds payable	25,000		25,000
LONG-TERM LIABILITIES <p>(less current maturities)</p>			
5% General Obligation Bonds	30,000		30,000
5% Revenue Bonds	95,000		95,000
Capital lease obligations		70,000	70,000
Due to other funds		39,715	39,715
TOTAL LIABILITIES	<hr/> 164,484	<hr/> 209,018	<hr/> 373,502
GRANTS, CONTRIBUTIONS AND RETAINED EARNINGS			
Capital grants from Federal and State governments	1,203,080	812,239	2,015,319
Less amortization	(705,291)	(454,582)	(1,159,873)
	<hr/> 497,789	<hr/> 357,657	<hr/> 855,446
Contributions from Township	3,035	60,013	63,048
Contributions from customers	158,507	34,483	192,990
Special Assessments		44,043	44,043
	<hr/> 659,331	<hr/> 496,196	<hr/> 1,155,527
Retained Earnings:			
Reserved for bond ordinances	136,598	8,464	145,062
Unreserved	40,702	415,814	456,516
	<hr/> 177,300	<hr/> 424,278	<hr/> 601,578
	<hr/> 836,631	<hr/> 920,474	<hr/> 1,757,105
	<hr/> \$1,001,115	<hr/> \$1,129,492	<hr/> \$2,130,607
	=====	=====	=====

FORSYTH TOWNSHIP
COMBINING STATEMENT OF EQUITY - ENTERPRISE FUNDS
Year ended March 31, 2005

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
CAPITAL GRANTS FROM FEDERAL AND STATE GOVERNMENT:			
Grants (no change)	\$1,203,080	\$812,239	\$2,015,319
Amortization:			
Balance at beginning of year	680,438	437,477	1,117,915
Provision for depreciation applicable to fixed assets purchased with grants	<u>24,853</u>	<u>17,105</u>	<u>41,958</u>
	<u>705,291</u>	<u>454,582</u>	<u>1,159,873</u>
BALANCE AT END OF YEAR	<u>\$497,789</u>	<u>\$357,657</u>	<u>\$855,446</u>
CONTRIBUTIONS FROM TOWNSHIP (no change)	<u>\$3,035</u>	<u>\$60,013</u>	<u>\$63,048</u>
CONTRIBUTIONS FROM CUSTOMERS (no change)	<u>\$158,507</u>	<u>\$34,483</u>	<u>\$192,990</u>
SPECIAL ASSESSMENTS (no change)		<u>\$44,043</u>	<u>\$44,043</u>
RETAINED EARNINGS - UNRESERVED:			
Balance at beginning of year	\$114,025	\$365,872	\$479,897
Net income (loss) for the year	(100,513)	32,919	(67,594)
Provision for depreciation applicable to fixed assets purchased with grants	24,853	17,105	41,958
NET INCREASE (DECREASE)	<u>(75,660)</u>	<u>50,024</u>	<u>(25,636)</u>
Adjustments:			
Decrease (increase) in general contingency reserve	2,336	(84)	2,252
BALANCE AT END OF YEAR	<u>\$40,701</u>	<u>\$415,812</u>	<u>\$456,513</u>
RETAINED EARNINGS - RESERVED FOR BOND ORDINANCES:			
Balance at beginning of year	\$138,935	\$8,380	\$147,315
Net increase (decrease) per above	(2,336)	84	(\$2,252)
BALANCE AT END OF YEAR	<u>\$136,599</u>	<u>\$8,464</u>	<u>\$145,063</u>

FORSYTH TOWNSHIP**COMBINING STATEMENT OF INCOME - ENTERPRISE FUNDS**

Year ended March 31, 2005

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
OPERATING REVENUES			
Flat rate sales:			
General Customers	\$133,694	\$281,920	\$415,614
Governmental units	12,642	27,111	39,753
Hydrant rental		10,737	10,737
Other	4,006	4,857	8,863
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	150,342	324,625	474,967
OPERATING EXPENSES			
Administrative and accounting:			
Salaries and wages	34,864	39,503	74,367
Employee benefits	18,502	18,512	37,013
Office supplies and other	24,989	9,903	34,892
Professional fees	28,790	5,094	33,884
	<hr/>	<hr/>	<hr/>
	107,145	73,012	180,156
Maintenance:			
Salaries and wages	39,571	50,686	90,257
Employee benefits	20,863	23,560	44,424
Operating supplies	175	2,389	2,564
Repairs and maintenance	5,226	9,748	14,974
Truck and equipment expense	16,695	13,506	30,201
Liability and fire insurance	7,425	10,104	17,529
	<hr/>	<hr/>	<hr/>
	89,955	109,993	199,949
Power and pumping - Utilities	9,805	51,473	61,278
Distribution -			
Provision for depreciation	37,902	44,346	82,248
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	244,807	278,824	523,631
	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(94,465)	45,801	(48,664)
OTHER REVENUE - Interest income	2,702	1,324	4,026
OTHER EXPENSES:			
Interest on bonds	(8,750)	(14,206)	(22,956)
	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	(\$100,513)	\$32,919	(\$67,594)
	<hr/>	<hr/>	<hr/>

FORSYTH TOWNSHIP
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
Year ended March 31, 2005

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	(\$94,465)	\$45,801	(\$48,664)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation & Amortization	37,902	44,346	82,248
Changes in assets and liabilities:			
(Increase) decrease in receivables	(1,289)	14,804	13,515
Increase (decrease) in accounts payable and accrued expenses	8,845	11,441	20,286
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(49,007)	116,392	67,385
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments on long term advance		(27,202)	(27,202)
Principal paid on bonds and capital lease obligations	(25,000)	(55,000)	(80,000)
Interest paid on bonds and capital lease obligations	(8,750)	(14,206)	(22,956)
	<hr/>	<hr/>	<hr/>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(33,750)	(96,408)	(130,158)
 CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	3,472	1,417	4,889
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,472	1,417	4,889
	<hr/>	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH	(79,285)	21,401	(57,884)
Cash and equivalents at beginning of year	239,533	22,428	261,961
	<hr/>	<hr/>	<hr/>
CASH AND EQUIVALENTS AT END OF YEAR	\$160,248	\$43,829	\$204,077
	=====	=====	=====

FORSYTH TOWNSHIP
COMPARATIVE BALANCE SHEET - SEWAGE DISPOSAL FUND

March 31,
2005 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$23,651	\$100,598
Accounts receivable	18,923	16,241
Accrued interest receivable	146	916
Due from other funds		
Due from other governmental units		
Current portion of sewage connection charges receivable	1,451	1,451

	44,171	119,206
--	--------	---------

RESTRICTED ASSETS

Cash and cash equivalents	136,598	138,935
Sewage connection charges receivable, less allowance of \$2,000	1,670	3,063

	138,268	141,998
--	---------	---------

UTILITY PLANT IN SERVICE

Land and easements	9,761	9,761
Structures and improvements	1,664	1,664
Sewage treatment plant	591,135	591,135
Collection and distribution system	1,243,611	1,243,611
Equipment	90,915	90,915
Construction in progress	7,656	7,656

	1,944,742	1,944,742
--	-----------	-----------

Less allowances for depreciation (deduction)	(1,126,065)	(1,088,163)
--	-------------	-------------

	818,677	856,579
--	---------	---------

	\$1,001,116	\$1,117,783
--	-------------	-------------

March 31,
2005 2004

**LIABILITIES, RESERVES, CONTRIBUTIONS
AND RETAINED EARNINGS**

CURRENT LIABILITIES

(payable from current assets)

Accounts payable	\$1,429	\$74
Accrued employee compensation	9,813	3,377
Accrued interest	2,188	2,188
Due to other funds	1,054	0

**TOTAL CURRENT LIABILITIES
(payable from current assets)**

	14,484	5,639
--	--------	-------

CURRENT LIABILITIES

(payable from restricted assets)

Current maturities on bonds payable	25,000	25,000
-------------------------------------	--------	--------

LONG-TERM LIABILITIES

(less current maturities)

5% General Obligation Bonds	30,000	40,000
5% Revenue Bonds	95,000	110,000

TOTAL LIABILITIES

	164,484	180,639
--	---------	---------

**GRANTS, CONTRIBUTIONS AND
RETAINED EARNINGS**

Capital grants from Federal and
State governments

	1,203,080	1,203,080
--	-----------	-----------

Less amortization

	(705,291)	(680,438)
--	-----------	-----------

	497,789	522,642
--	---------	---------

Contributions from Township
Contributions from customers

	3,035	3,035
	158,507	158,507

	659,331	684,184
--	---------	---------

Retained Earnings:

Reserved for bond ordinances
Unreserved

	136,598	138,935
	40,703	114,025

	177,301	252,960
--	---------	---------

	836,632	937,144
--	---------	---------

	\$1,001,116	\$1,117,783
--	-------------	-------------

FORSYTH TOWNSHIP
COMPARATIVE STATEMENT OF EQUITY - SEWAGE DISPOSAL FUND

	Year ended March 31,	
	2005	2004
CAPITAL GRANTS FROM FEDERAL AND STATE GOVERNMENT		
Grants (no change)	\$1,203,080	\$1,203,080
Amortization:		
Balance at beginning of year	680,438	656,005
Provision for depreciation for the year applicable to fixed assets purchased with grants	<u>24,853</u>	<u>24,433</u>
	<u>705,291</u>	<u>680,438</u>
BALANCE AT END OF YEAR	\$497,789	\$522,642
	=====	=====
CONTRIBUTIONS FROM TOWNSHIP (no change)	\$3,035	\$3,035
	=====	=====
CONTRIBUTIONS FROM CUSTOMERS	\$158,507	\$157,107
Contributions		1,400
	=====	=====
BALANCE AT END OF YEAR	\$158,507	\$158,507
	=====	=====
RETAINED EARNINGS - UNRESERVED:		
Balance at beginning of year	\$114,025	\$120,783
Net (loss) for the year	(100,512)	(43,954)
Depreciation on fixed assets acquired by grants and shared revenues restricted for capital acquisition	<u>24,853</u>	<u>24,433</u>
NET INCREASE (DECREASE)	(75,659)	(19,521)
Adjustments:		
Decrease (increase) in general contingency reserve	<u>2,336</u>	<u>12,760</u>
BALANCE AT END OF YEAR	\$40,702	\$114,022
	=====	=====
RETAINED EARNINGS - RESERVED FOR BOND ORDINANCES:		
Balance at beginning of year	\$138,935	\$151,695
Net increase (decrease) per above	<u>(2,336)</u>	<u>(12,760)</u>
BALANCE AT END OF YEAR	\$136,599	\$138,935
	=====	=====

FORSYTH TOWNSHIP
COMPARATIVE STATEMENT OF INCOME - SEWAGE DISPOSAL FUND

	Year ended March 31,	
	2005	2004
OPERATING REVENUES		
Flat rate sales:		
General Customers	\$133,694	\$117,598
Governmental units	12,642	13,978
Federal Grants		
Other	4,006	5,356
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	150,342	136,932
	<hr/>	<hr/>
OPERATING EXPENSES		
Administrative and accounting:		
Salaries and wages	34,864	31,444
Employee benefits	18,502	18,913
Office supplies and other	24,989	8,786
Professional fees	28,790	8,356
	<hr/>	<hr/>
	107,145	67,499
Maintenance:		
Salaries and wages	39,571	33,428
Employee benefits	20,863	20,489
Operating supplies	175	0
Repairs and maintenance	5,226	1,441
Truck and equipment expense	16,695	2,767
Liability and fire insurance	7,425	6,085
	<hr/>	<hr/>
	89,955	64,210
Power and pumping - Utilities	9,805	8,088
Distribution :		
Provision for depreciation	37,902	38,252
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	244,807	178,049
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(94,465)	(41,117)
OTHER REVENUE - interest income	2,702	5,326
OTHER EXPENSES:		
Interest on bonds	(8,750)	(8,163)
Project development costs		
	<hr/>	<hr/>
NET INCOME (LOSS)	(\$100,513)	(\$43,954)
	=====	=====

FORSYTH TOWNSHIP
COMPARATIVE STATEMENT OF CASH FLOWS - SEWAGE DISPOSAL FUND

	Year ended March 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	(\$94,465)	(\$41,117)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	37,902	38,252
Changes in assets and liabilities:		
(Increase) decrease in receivables	(1,289)	(30)
Increase (decrease) in accounts payable and accrued expenses	8,845	(14,556)
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(49,007)	(17,451)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on bonds and capital lease obligations	(25,000)	(25,000)
Acquisition of fixed assets		
Interest paid on bonds and capital lease obligations	(8,750)	(10,000)
Contributions from customers for connections		1,400
	<hr/>	<hr/>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(33,750)	(33,600)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	3,472	5,569
	<hr/>	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,472	5,569
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH	(79,285)	(45,482)
Cash and equivalents at beginning of year	239,533	285,015
	<hr/>	<hr/>
CASH AND EQUIVALENTS AT END OF YEAR	\$160,248	\$239,533
	=====	=====

FORSYTH TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
Year ended March 31, 2005

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
ASSETS				
Cash and cash equivalents	\$25,128	\$3,293,112	\$3,285,673	\$32,567
Accounts and taxes receivable	0			0
Accrued interest receivable	0			0
Investments	56,831	10,834		67,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$81,959	\$3,303,946	\$3,285,673	\$100,232
	=====	=====	=====	=====
LIABILITIES				
Due to Marquette - Alger Intermediate School District	\$0	\$192,031	\$192,031	\$0
Due to County	0	726,199	726,199	0
Due to School	0	751,011	751,011	0
Due to State	0	592,365	592,365	0
Due to Township Funds	1,395	754,924	753,774	2,545
Due to others	23,733	31,774	25,485	30,022
Deferred compensation	56,831	10,834		67,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$81,959	\$3,059,138	\$3,040,865	\$100,232
	=====	=====	=====	=====

FORSYTH TOWNSHIP**TRUST AND AGENCY FUNDS - STATEMENT OF RECEIPTS, DISBURSEMENTS****AND FUND BALANCE**

Year ended March 31, 2005

	Trust Fund		Agency Fund			
	Cemetery Perpetual Care Fund	Gwinn Area Community Schools	State of Michigan	County of Marquette	Intermed. School District	Other
Receipts:						
Property tax collections		\$751,011	\$592,365	\$726,199	\$192,031	\$754,924
Other						
Interest	\$2,457					
Perpetual care fees	4,225					
TOTAL RECEIPTS	6,682	751,011	592,365	726,199	192,031	754,924
Disbursements:						
Remittances to other governmental units		\$751,011	\$592,365	\$726,199	\$192,031	
Transfer to General and Other Funds	2,457					\$753,774
TOTAL DISBURSEMENTS AND TRANSFERS	2,457	751,011	592,365	726,199	192,031	753,774
EXCESS OF RECEIPTS (DISBURSEMENTS)	4,225	\$0	\$0	\$0	\$0	\$1,150
		=====	=====	=====	=====	=====
Fund balance at beginning of year	150,565					
FUND BALANCE AT END OF YEAR	\$154,790					
	=====					

**FORSYTH TOWNSHIP
STATEMENT OF CURRENT TAX COLLECTIONS AND DISBURSEMENTS**

	Agency Funds					Totals
	Township General Fund	Clubhouse/ Recreation	Gwinn Area Community Schools	State of Michigan	County of Marquette	Intermed. School District
Year ended March 31, 2005:						
2004 property tax levy	\$662,431	\$202,774	\$914,038	\$648,269	\$834,218	\$220,595
Less delinquent property taxes	\$85,775	\$26,256	163,027	55,904	108,019	28,564
						467,545
CURRENT PROPERTY TAX COLLECTIONS	\$576,656	\$176,518	\$751,011	\$592,365	\$726,199	\$192,031
	=====	=====	=====	=====	=====	=====
						\$3,014,780
						=====
Year ended March 31, 2004:						
2003 property tax levy	\$612,921	\$187,632	\$832,470	\$489,467	\$748,229	\$201,582
Less delinquent property taxes	\$85,886	\$26,290	127,454	39,362	104,840	28,245
						412,077
CURRENT PROPERTY TAX COLLECTIONS	\$527,035	\$161,342	\$705,016	\$450,105	\$643,389	\$173,337
	=====	=====	=====	=====	=====	=====
						\$2,660,224
						=====

FORSYTH TOWNSHIP
PROPERTY TAX DATA
 March 31, 2005

<u>Year</u>	<u>Taxable Valuation (Homestead post 1993)</u>	<u>Taxable Valuation (Non-Homestead post 1993)</u>	<u>Tax Rate Per \$1,000 Taxable Valuation (Homestead post 1993)</u>	<u>Tax Rate Per \$1,000 Taxable Valuation (Non-Homestead post 1993)</u>	<u>Adjusted Total Tax Levy</u>
1994	30,402,780	30,764,517	22.9890	40.9890	1,961,166
1995	31,499,088	30,299,628	25.9163	43.9163	2,146,987
1996	33,578,607	29,870,302	25.1358	43.1358	2,132,505
1997	34,961,168	31,427,714	25.1358	43.1358	2,234,437
1998	36,436,652	34,442,779	25.1358	43.1358	2,401,581
1999	38,914,729	35,291,163	24.2726	42.2726	2,436,411
2000	41,037,747	35,744,097	24.2726	42.2726	2,507,089
2001	43,818,638	39,907,986	24.2486	42.2486	2,748,597
2002	47,621,109	44,253,793	24.2021	42.2021	3,020,134
2003	51,853,324	51,505,339	22.8803	40.8803	3,291,973
2004	55,710,721	52,354,914	23.7683	41.2337	3,482,936

Total tax levies per above are comprised of the following:

<u>Township Funds</u>					<u>Intermed. School District</u>	<u>State Education Tax</u>
<u>Year</u>	<u>General</u>	<u>Clubhouse/ Recreation</u>	<u>Library</u>	<u>County</u>	<u>School</u>	
1994	399,527		28,983	482,767	554,301	128,404
1995	421,430	123,597	30,899	525,178	545,393	129,697
1996	432,683	126,898	31,724	489,711	537,665	133,129
1997	452,733	132,778	33,194	512,403	565,699	139,297
1998	483,034	141,665	35,416	546,698	619,123	148,620
1999	504,715	147,967	36,795	572,736	635,241	155,683
2000	460,407	152,633	38,162	591,351	643,394	160,482
2001	489,459	165,870	52,364	644,735	717,788	175,067
2002	646,829	198,015	0	771,894	935,801	208,373
2003	612,756	187,568	0	747,992	831,995	201,516
2003	662,431	202,774	0	834,218	914,038	220,595

Millage rates for 2003 consisted of the following:

	<u>Homestead</u>	<u>Non-Homestead</u>
Township	8.0067	8.0067
County	7.7201	7.7201
School		17.4654
State Education Tax	6.0000	6.0000
Intermediate School District	2.0415	2.0415
	<u>23.7683</u>	<u>41.2337</u>
	=====	=====

FORSYTH TOWNSHIP
SCHEDULE OF BONDED INDEBTEDNESS
March 31, 2005

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Outstanding at March 31, 2004	Annual Interest Payments	Total Annual Payments
1979 SEWAGE DISPOSAL SYSTEM REVENUE BONDS:							
	7/20/79	\$280,000 =====					
Fiscal Year Ending:							
March 31, 2006			5.00%	1/1/06	10,000	5,500	15,500
March 31, 2007			5.00%	1/1/07	10,000	5,000	15,000
March 31, 2008			5.00%	1/1/08	15,000	4,500	19,500
March 31, 2009			5.00%	1/1/09	15,000	3,750	18,750
March 31, 2010			5.00%	1/1/10	15,000	3,000	18,000
March 31, 2011			5.00%	1/1/11	15,000	2,250	17,250
March 31, 2012			5.00%	1/1/12	15,000	1,500	16,500
March 31, 2013			5.00%	1/1/13	15,000	750	15,750
					<u>\$110,000</u> =====	<u>\$26,250</u> =====	<u>\$136,250</u> =====

1970 GENERAL OBLIGATION SEWAGE DISPOSAL SYSTEM BONDS:

	12/14/70	\$400,000 =====					
Fiscal Year Ending:							
March 31, 2006			5.00%	1/1/06	15,000	2,000	17,000
March 31, 2007			5.00%	1/1/07	15,000	1,250	16,250
March 31, 2008			5.00%	1/1/08	10,000	500	10,500
					<u>\$40,000</u> =====	<u>\$3,750</u> =====	<u>\$43,750</u> =====

Both of the above issues are recorded in the Sewage Disposal System Fund (an enterprise fund).

APPENDICES

kroncich & ASSOCIATES P.C.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

We have audited the financial statements of Forsyth Township, as of and for the year ended March 31, 2005 and have issued our report thereon dated July 21, 2005. In our report, our opinion was qualified because the general purpose financial statements do not include the pension plan disclosures which should be included in order to conform with generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures and for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Township Board. However, this report is a matter of public record and its distribution is not limited.

Kronick & Associates P.C.
Certified Public Accountants

Marquette, Michigan
July 21, 2005

kroncich & ASSOCIATES P.C.

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

Members:
American Institute of C.P.A.'s
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June 30, 2006

Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

In planning and performing our audit of the financial statements of Forsyth Township, Marquette County, Michigan for the year ended March 31, 2005, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 21, 2005 on the general purpose financial statements of Forsyth Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank management and their staff for their support and assistance during our audit.



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FORSYTH TOWNSHIP
COMMENTS AND RECOMMENDATIONS
March 31, 2005

The following comments and recommendations are repeated from the prior year because we found similar situations in the current year.

CASH

The Township has deposits in excess of FDIC/NCUA limits in any one depository financial institution. This is also disclosed in Note B to the financial statements. This risk should be evaluated for asset safety.

Budgets

We noted unfavorable variances of functions in the General Fund(pg. 40) and the Gwinn Clubhouse Association(pg. 41). Total expenditures exceeded budget in the Gwinn Clubhouse Association and Senior Citizens Grant funds as disclosed in Note Q to the financial statements.

Accounting Developments

GASB statement #34 is here! You will notice a different look to the audited financial statements this year. Although there are many differences with this new reporting model, the major additions are as follows:

Management's Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.

Government-wide Financial Statements: The statements now adjust the traditional fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township's financial position from a current and longer term perspective including its capital assets and long term debt.

Budget Comparison: A financial statement reader will now be able to not only view the actual revenue and expenditures of the Township compared to the current budget, but also as compared to the original adopted budget.

The GASB believes this new model will provide a more complete picture of the financial position of the Township.

The major problem was to obtain historical cost of the capital assets (land, buildings, and equipment) from inception of the Township, which had never been done before. It was a tremendous effort on our part and that of your most cooperative staff to retrieve this data from various sources.

Sewage and Water Funds

The sewage fund continues to experience losses and negative cash flow. The water fund has positive operating income and cash flow, but does not provide much retention to fund future repairs and replacements, as the systems are quite old. You have made some progress here but should continue to increase revenues and/or decrease expenses to achieve a profit and provide a reserve for future capital expenditures.

Controls and Procedures

We urge you to continue to upgrade hardware and software and strive for a more systemic approach to all financial functions. Those with the most transactions, such as accounts receivable, property taxes and accounts payable should get the most attention. We suggest you consider Direct Deposit of employee payroll into their personal bank accounts. This will eliminate printing of paper checks. We reference you to our prior year letter for details.

Security

We believe your plan to make some renovations to your office for both security and privacy purposes will also make it more efficient for the accounting department.

The following comments are applicable to the current year and are not repeats from the prior year:

Other Accounts Receivable

Accounts receivable for charges for services that are not collectible should be written-off, as some were during the current year. The remaining accounts detail should then be reconciled to the general ledger. Even though these accounts are still carried, they are not included in fund balance or revenues. Only the amounts actually collected after the balance-sheet date to the completion of the financial statements are included as an asset—the uncollected remainder is recorded as a reserve for bad debts (reduction of the receivable).

Liability Insurance Coverage

While reviewing insurance coverage and related appraisal values, we noted some values that appeared to be overstated. We understand you did subsequently investigate and resolve that issue.

Staffing Levels

We certainly understand you are operating under a tight budget. One of your cost savings measures has been to reduce the number of hours worked by the office/accounting department to 32 hours per week for each person. We do not question that prudent business decision.

Your staff has told us on several occasions and just recently, that they too understand your objective, but they have fallen behind in their work. What concerns them more is the fact that this trend has continued for some time. They are getting frustrated that mistakes are going to occur and/or there may be compliance issues that gets missed. The department wants some direction from you, the Township Board. We are informing you what has been communicated to us.